

ASSEMBLY BILL

No. 696

Introduced by Assembly Member Mansoor

February 21, 2013

An act to amend Section 7522.02 of the Government Code, relating to public employment.

LEGISLATIVE COUNSEL'S DIGEST

AB 696, as introduced, Mansoor. Public employment: pensions.

The California Public Employees' Pension Reform Act of 2013 (PEPRA), on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, among other provisions, establishes new retirement formulas that may not be exceeded by a public employer offering a defined benefit pension plan, setting the maximum benefit allowable for employees first hired on or after January 1, 2013, as a formula commonly known as 2.5% at age 67 for nonsafety members, one of 3 formulas for safety members, 2% at age 57, 2.5% at age 57, or 2.7% at age 57, and 1.25% at age 67 for new state miscellaneous or industrial members who elect to be in Tier 2. Under PEPRA, the Judges' Retirement System I and the Judges' Retirement System II are not required to adopt the defined benefit formula contained in certain other provisions.

This bill would make technical, nonsubstantive changes to this provision.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. Section 7522.02 of the Government Code is amended to read:

7522.02. (a) (1) Notwithstanding any other law, except as provided in this article, on and after January 1, 2013, this article ~~shall apply~~ *applies* to all state and local public retirement systems and to their participating employers, including the Public Employees' Retirement System, the State Teachers' Retirement System, the Legislators' Retirement System, the Judges' Retirement System I, the Judges' Retirement System II, county and district retirement systems created pursuant to the County Employees Retirement Law of 1937, independent public retirement systems, and to individual retirement plans offered by public employers. However, this article shall be subject to the Internal Revenue Code and Section 17 of Article XVI of the California Constitution. The administration of the requirements of this article shall comply with applicable provisions of the Internal Revenue Code and the Revenue and Taxation Code.

(2) Notwithstanding paragraph (1), this article shall not apply to the entities described in Section 9 of Article IX of, and Sections 4 and 5 of Article XI of, the California Constitution, except to the extent that these entities continue to be participating employers in any retirement system governed by state statute. Accordingly, any retirement plan approved before January 1, 2013, by the voters of any entity excluded from coverage by this section shall not be affected by this article.

(b) The benefit plan required by this article shall apply to public employees who are new members as defined in Section 7522.04.

(c) Individuals who were employed by ~~any~~ a public employer before January 1, 2013, and who became employed by a subsequent public employer for the first time on or after January 1, 2013, shall be subject to the retirement plan that would have been available to employees of the subsequent employer who were first employed by the subsequent employer on or before December 31, 2012, if the individual was subject to reciprocity established under any of the following provisions:

(1) Article 5 (commencing with Section 20350) of Chapter 3 of Part 3 of Division 5 of Title 2.

1 (2) Chapter 3 (commencing with Section 31450) of Part 3 of
2 Division 4 of Title 3.

3 (3) ~~Any~~ An agreement between public retirement systems to
4 provide reciprocity to members of the systems.

5 (d) If a public employer, before January 1, 2013, offers a defined
6 benefit pension plan that provides a defined benefit formula with
7 a lower benefit factor at normal retirement age and results in a
8 lower normal cost than the defined benefit formula required by
9 this article, that employer may continue to offer that defined benefit
10 formula instead of the defined benefit formula required by this
11 article, and shall not be subject to the requirements of Section
12 7522.10 for pensionable compensation subject to that formula.
13 However, if the employer adopts a new defined benefit formula
14 on or after January 1, 2013, that formula must conform to the
15 requirements of this article or must be determined and certified by
16 the retirement system's chief actuary and the retirement board to
17 have no greater risk and no greater cost to the employer than the
18 defined benefit formula required by this article and must be
19 approved by the Legislature. New members of the defined benefit
20 plan may only participate in the lower cost defined benefit formula
21 that was in place before January 1, 2013, or a defined benefit
22 formula that conforms to the requirements of this article or is
23 approved by the Legislature as provided in this subdivision.

24 (e) If a public employer, before January 1, 2013, offers a
25 retirement benefit plan that consists solely of a defined contribution
26 plan, that employer may continue to offer that plan instead of the
27 defined benefit pension plan required by this article. However, if
28 the employer adopts a new defined benefit pension plan or defined
29 benefit formula on or after January 1, 2013, that plan or formula
30 must conform to the requirements of this article or must be
31 determined and certified by the retirement system's chief actuary
32 and the system's board to have no greater risk and no greater cost
33 to the employer than the defined benefit formula required by this
34 article and must be approved by the Legislature. New members of
35 the employer's plan may only participate in the defined
36 contribution plan that was in place before January 1, 2013, or a
37 defined contribution plan or defined benefit formula that conforms
38 to the requirements of this article.

39 (f) The Judges' Retirement System I and the Judges' Retirement
40 System II shall not be required to adopt the defined benefit formula

1 required by Section 7522.25 or 7522.30 or the compensation
2 limitations defined in Section 7522.10.
3 (g) This article shall not be construed to provide membership
4 in ~~any~~ a public retirement system for an individual who would not
5 otherwise be eligible for membership under that system's
6 applicable rules or laws.

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